

PROJECT OVERSIGHT REPORT

Insurance System Replacement Project (ISRP)
Health Care Authority

Report as of Date:
July 2002

Project Director: Christine Spaulding
MOSTD Staff: Tom Parma

Executive Sponsor: Tom Neitzel

Description: HCA received ISB approval and legislative funding to replace its two separate systems that support the Public Employee Benefit Board (PEBB) and Basic Health (BH) insurance lines of business with a single vendor-supplied system. The PEBB system was developed and is operated by the Department of Personnel (DOP); the BH system was developed and is maintained by HCA staff. The goal of this project is to provide a single health insurance system to support both PEBB and Basic Health insurance lines of business, provide technology to improve the use of information, and reduce the overall cost of processing.

HCA anticipates that the new insurance system will improve customer service by providing more accurate and timely resolution to customer inquiries, and improving business processes and workflows. The new system will allow customers and providers the ability to perform several functions over the Internet such as: applying for insurance; updating personal information; paying premiums; and checking eligibility. It will also position the agency to comply with the federal Health Insurance Portability and Accounting Act (HIPAA) of 1996.

In addition to the intangible benefits of improved customer service, this initiative is anticipated to provide over \$1.5 million in annual benefits primarily from reduction in operational costs. The project has a five-year payback period.

The phases are:

- Phase I – Requirements definition, system architecture selection.
- Phase II – Data migration, detailed application design requirements, development, test.
- Phase III – Testing, training, implementation.

Although not technically a phase of the development portion of the project, a parallel activity is the decommissioning of the insurance functions of the HRISD system at DOP.

Technology: The new system will make use of Sun servers running UNIX and Oracle database products. The applications will be written using Visual Basic.

Life Cycle Stage: Phase I – Requirements Definitions and System Architecture Selection

Budget: The budget is \$4.99 million for the entire project, including decommissioning. Of this amount, \$4.4015 million is for purchase, tailoring, implementation and training for the new system; and \$975,000 is for the system decommissioning at DOP. As of June 30, 2002, the budgeted expenses were \$657,000. Actual expenses were \$725,536. The variance is due to modifications to prices and the delivery schedule after the budget was developed.

Schedule:

<u>Phase I</u>	<u>Schedule</u>	<u>Status</u>
1. Contract signed	May '02	Complete - on time/on budget
2. Begin contractor work on Analysis & Planning	June '02	Complete - on time/on budget
3. Complete business & technical analysis	Sept. '02	On schedule

<u>Phase II</u>	<u>Schedule</u>	<u>Status</u>
4. Begin design, development, system testing	July '02	
5. Complete design, development, system testing	Mar '03	
 <u>Phase III</u>		
4. Begin User Acceptance Test	Mar '03	
5. Complete User Acceptance Test	May '03	
6. User Training	Jun '03	
7. System fully implemented and in production	Jun '03	

Status: The contract was awarded to Healthaxis in the amount of \$3.036 million and work began June 3. KPMG has been engaged as the external Quality Assurance (QA) vendor.

HCA and Healthaxis have completed requirements definitions for Eligibility and Enrollment, Transaction History, Web transactions for members and carriers, Reporting, Billing, Payments, and Imaging/Workflow. They have begun detailed reviews of the external interface requirements (e.g., AFRS, income verification at ESD, DOR, and L&I).

Recommendation: The most critical need is for the implementation of a project management Communication Plan. DIS recommends that HCA immediately finalize and implement the plan. The Issue Management process is in place; Risk and Change management processes will be fully implemented by the start of Phase II.